SECTION 5

INVESTOR REPORTING GUIDELINES

Acknowledgements
Invest Europe would like to thank the members of the Invest Europe Working Group on Accounting Standards, Valuation and Reporting (a sub-Committee of the Invest Europe Professional Standards Committee) for their valuable input during the development of the Investor Reporting Guidelines.

The Working Group reflects the membership of Invest Europe so comprises representatives from an international set of private capital market participants including GPs, LPs and professional advisers.

Chair: Jonathan Martin, *KPMG in the UK*
Vice-chair: Neil Harding, *3i plc*

Members: Godfrey Davies, *previously CDC Group plc (now retired)*
Michel Feider, *Ernst & Young S.A.*
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1. INTRODUCTION

In the ten years since the global financial crisis, Private Capital has continued to play an ever more important role in assisting economic growth and developing stronger, more durable businesses and business models across the world.

In that period the pressure from all stakeholders for greater transparency and understanding has also increased. Ensuring that the level of information available is sufficient to be helpful but not so voluminous that it is a hindrance to those stakeholders has become critical. In a world where change is ever present and more rapid, the ability for investors to be able to understand, digest and conclude on information in a sensible time frame is the goal of these Investor Reporting Guidelines.

The Working Group has drawn heavily from Invest Europe's unique membership which covers all aspects of the industry across multiple jurisdictions. The Group comprises GPs, LPs, Advisers and Portfolio Company experts to ensure that these Guidelines balance the ever increasing demands for information with the goal of developing sensible and understandable information at all times.

The terms General Partner, GP or manager, and Limited Partner, LP or investor are used interchangeably throughout this document.

These Guidelines are not intended to specifically cover legal and regulatory reporting requirements; where applicable, however, they should be read in conjunction with such reports and consistency between the contents of such reports would be expected.

Furthermore, these Guidelines do not cover information to be included in the fundraising documents, annual investor meetings, meetings of the LP Advisory Committee ("LPAC") and other conference calls or ad hoc communication with investors. However, as with the legal and regulatory reports, all such information should be broadly consistent and not contradictory to the reporting required from these Guidelines.

This document presents **two forms of guidance:**

1. **Requirements that must be applied**, where relevant for a fund, to enable a fund manager to claim compliance with the Guidelines. These Requirements will ensure that investors are able to monitor their investment in a fund, assess the progress of the fund and the portfolio companies in which it invests and understand the developments within the geography, sector and industry in which each of the portfolio companies operate.

2. **Additional possible disclosures**, whose adoption is not considered necessary for a fund manager to claim compliance with the Guidelines. These items are sometimes provided by fund managers to convey more in-depth information to investors but are considered not to be key in nature in order to be compliant with the Guidelines.

This version of the guidelines augments the version released in 2015 and continues to develop our approach to be the "voice" of all Private Capital. Private Capital managers across Europe and globally are increasingly targeting more diversified risk adjusted returns by launching new fund vehicles to provide financing to businesses. The evolution of the private equity sector into such new asset classes gives rise to the need for modified reporting and valuation requirements specific to the nature of such investments.

As a result of this the guidelines now contain specific sections for the following types of fund in addition to the "standard" direct Private Equity fund contemplated in the previous Guidelines:

- Real Estate
- Private Debt (including Credit funds)
- Infrastructure
- Venture Capital
- Fund of Funds
- Secondary Funds

The specific sections for the above fund types have been included to allow managers of those funds to comply with the Invest Europe Guidelines whilst still maintaining the expected style, form and content that investors in those funds would require. All Requirements set out in other parts of these Guidelines are expected to be followed, in full, by all fund managers wishing to state compliance with Invest Europe Guidelines.

In performing the current update, the Working Group has considered other best practice and template guidance in the sector including those published by ILPA. A detailed comparison has been performed against the most recent ILPA guidelines and a section covering the differences in required content is included in section 2.4. As a result of this, it is the view of the Working Group that compliance with these Guidelines (including certain of the Additional possible disclosures) means that a manager will be substantially compliant with all ILPA information requirements.

The guidelines have also been updated to cover key emerging issues such as Fund Bridge and Leverage Facilities and enhancements to ESG reporting. Our aim remains to ensure that the Guidelines remain among the most advanced and user friendly guidance in the Private Capital sector.

As with most aspects of their relationships, the managers (GPs) of Private Capital funds and their investors (LPs) negotiate the required disclosures in their funds on a bilateral basis during the fundraising process. As such, it is not the intention that these Guidelines should in any way restrict the disclosures made and information transferred especially where that information flow is already established. However, these Guidelines are designed to assist in the negotiations and form a strong baseline level of information flow on a regular basis.

In the same way, the examples included in the Guidelines are not intended to be "standard" or "generic" templates used by all funds but are sensible starting points, particularly for new GPs in the sector.

Change is constant and whilst the Working Group has sought to include many new emerging issues in reporting there will inevitably be more arising in the coming months and years and therefore a further update to the guidelines is anticipated in 2020. However, these guidelines may be updated in advance of that date for any critical changes in the sector to ensure that the level of information presented to investors remains at an optimal level to facilitate accurate analysis of a manager, a fund and the investments in that fund.

These Guidelines replace all former versions released by Invest Europe. For GPs wishing to claim compliance with these Guidelines, adoption is required for the quarter/half-year ending 31 December 2018.

Contents

2. PRINCIPLES OF REPORTING

2.1. General Considerations

These Guidelines are principally designed for use by General Partners ("GPs") reporting to their Limited Partners ("LPs") on closed-ended funds investing using Private Capital alternative investment strategies. The information described in these Guidelines should generally be reported on a whole fund basis. In cases where a fund comprises parallel partnerships, particularly where they have different contractual terms, the GP may also provide details on a legal entity basis in addition to providing whole fund information. Further, as appropriate, disclosure of portfolio company information should be aggregated and presented on a whole fund basis in order that LPs can see the total investment under management by the GP.

Some funds invest in multiple securities or tranches of the same portfolio company. The disclosures described in these Guidelines are expected to be shown on the same basis that the manager would transact. If the manager expects to transact all positions in the same underlying portfolio company simultaneously, then disclosures would be for the aggregate investment in the portfolio company. If the manager expects to transact separately, for example selling a debt position independently from an equity position, then disclosure for each individual instrument will be more appropriate.

It is recognized that in some instances, disclosure of detailed information regarding a particular portfolio company or investment may give rise to issues of commercial sensitivity for that company/investment, for example when it is in or close to a sale process. The GP may in such circumstances need to exercise discretion in the level of detail provided in the report, bearing in mind the extent to which reports are available to a wide selection of parties including investors, administrators, custodians, advisers etc.

2.2. Timing

Purpose

Investor reporting is needed on a timely basis to enable investors to perform their investment analysis appropriately. Reported information should therefore be delivered in a form agreed with the fund's investors. It is typical for a GP to develop standardised reporting of information for their LPs at the outset so that over the life of the fund reporting is performed to a consistent format and timetable. However, there should always be the ability to enhance and modify the content of such reports over the life of the fund. This is particularly important where external legal, regulatory and stakeholder interactions lead to a change in the accepted norms for reporting to investors.

It is common for GPs to provide the quarterly information in one reporting package which includes both narrative and financial information. Where reports are presented separately, these Guidelines are designed to cover the requirements of both parts.

GPs will need to consider, and where appropriate agree with the LPs, what time periods their reports should cover. Current period (i.e. quarter or six months depending on the frequency of reporting) and data since inception are likely to be required, with either financial year-to-date or last twelve months' data as an additional possible disclosure.

Exact timings, notification periods to investors and content of the reporting as well as audit requirements and applicable financial reporting frameworks (GAAP) are usually agreed within the fund formation documents. It is very rare that this changes over the life of a fund except where new accounting standards require such a change.

Requirements

At a minimum reporting should be in accordance with the fund formation documents. For funds holding direct investments, current market practice is for quarterly reports to be issued no later than 60 calendar days after the quarter end and annual accounts to be issued no later than 90 days after the year end. For other types of vehicle such as fund-of-funds, these timeframes will inevitably be longer, typically an additional 30 days. The extent to which information requires an audit will be determined by the fund formation documents and local regulation.

Additional possible disclosures

It is common practice for GPs to provide updates to LPs on significant new investments, divestments/exits and major portfolio company events, e.g. IPOs or major acquisitions by the Portfolio Asset (e.g. bolt-ons).

Such reports should ideally be sent to LPs contemporaneously with any press release/publication.

ESG reporting should ideally be integrated into the annual/quarterly reporting cycle, rather than operating on a separate timeline.

2.3. Structure of Investor Reporting

The following deliverables, frequency and timeframes for investor reporting are meant to serve as a suggestion only. They encompass the current market expectations for a private capital fund, however, they will be subject to the type of fund and the fund formation documents.

The table below sets out the position for quarterly reporting.

Reporting Deliverable	Frequency of Reporting*
Fund Information	
1 Fund Overview	Quarterly
2 Executive Summary	Quarterly
3 Fund Performance Status	Quarterly
4 Fund Financial Statements	Quarterly (as required by the fund formation documents)
5 GP Fees, Carried Interest and Fund Operating Expenses	Quarterly
6 Fund Bridge and Leverage Facilities	Quarterly
Investment Portfolio Information	
1 Portfolio Summary	Quarterly
2 Portfolio Asset Detail	Six-monthly with updates for significant events quarterly**
Investor Information	
1 Capital Account	Quarterly
2 Drawdown Notices	Each transaction
3 Distribution Notices	Each transaction

* Larger and mid-sized firms typically report on a quarterly basis. Some firms, due to their nature, may report on a half-yearly basis.

** Significant events include new investments, exits and material events in portfolio investments not otherwise covered in the Executive Summary.

2.4. Summary overview of Invest Europe Investor Reporting Guidelines compared to ILPA Reporting Best Practices

The Invest Europe Guidelines have been designed with the input of both GPs and LPs so as to create a user friendly and adaptable set of reporting guidelines which ensure that LPs' information requirements are satisfied within the context of a framework appropriate for GPs.

In drafting this 2018 revision to the Invest Europe Guidelines the Working Group has taken into account the requirements of other standard setters and jurisdictions, notably ILPA's Reporting Best Practices, including its Quarterly Reporting Standards, Capital Call and Distribution Notice Template and Fee Reporting Template.

In our view, GPs may consider themselves as compliant with all the information requirements of ILPA's Reporting Best Practices if they adopt these Guidelines. This is following a detailed comparison of these Guidelines and ILPA's Reporting Best Practices. Our comparison identified only four ILPA information requirements that are not recommended in these Guidelines (which seek to define what information should be reported while not being prescriptive as to the layout or format in which such information should be presented). These four requirements have not been added as they were not deemed to materially enhance LPs' understanding of the fund's current position or performance.

These are:

ILPA Reporting Best Practices	ILPA information requirements not recommended in these Guidelines
Quarterly Reporting Standards	
Schedule of Investments	Disclosure of gross TVPI in the prior period
Executive Summary	Disclosure of the advisor/ manager's AUM, "active" funds and "active" portfolio companies across the funds managed / advised
Executive Summary	Fund KPI's – distributions to be expressed as a % of total commitments as well as DPI
Executive Summary	Progression of Net IRR of the fund to be expressed graphically
Capital Call Template	None
Distribution Template	None
Fee Reporting Template	None

Furthermore, it is noteworthy that these Guidelines give due consideration to specific strategies within the Private Capital industry, namely private equity, real estate, private debt, infrastructure, venture, fund of funds and secondaries, and recommend reporting particular to those types of funds.

Additionally, there are a number of reporting aspects where the requirements of these guidelines surpass ILPA's Reporting Best Practices. Examples of these include:

- 3.1. Fund Overview:
  - Details of Bridge Finance and Fund Leverage facilities (where applicable);
  - Summary of investment parameters and restrictions;
  - Re-investment/recycling policy;
  - ESG reporting;
  - Disclosure of service providers such as banker, independent valuation expert and depository.
- 3.2. Executive Summary – disclosure of significant changes affecting the GP/Manager.
- 4.1. Portfolio Summary:
  - The % of the business exited in the event of partial investment realisations;
  - Investment holding periods.

3. FUND INFORMATION

3.1. Fund Overview

Purpose

The Fund Overview provides LPs with general information about the fund allowing them easy access to the fund's terms and "standing data" without requiring them to consult the fund formation documents. Many GPs utilise structures which include parallel funds to meet the needs of individual LPs; however, the Fund Overview would normally be expected to cover the total fund position aggregating all parallel funds, unless there are different contractual terms which may require additional disclosure.

The Fund Overview is designed to be a one-page summary of the fund structure. Where effective disclosure is incompatible with one-page disclosure, it may be appropriate to include only a cross-reference to the fund formation documents or other sources.

Requirements

General

- Fund full name;
- First closing date;
- Final closing date;
- First investment date;
- Vintage year;
- Term (and last date when GP can call capital, if different);
- Investment period criteria and end date;
- Extensions permitted;
- Total commitments (whole fund including parallel partnerships and GP commitment) and separate disclosure of each constituent part;
- Year end;
- Domicile;
- Legal form (partnership, corporate, other);
- Outline of structure (e.g. details of the limited partnership structure, co-invest vehicles, parallel vehicles and other forms of side vehicle). Such disclosure may be appropriate here or in the capital account statement;
- Fund currency;
- General Partner/Carried Interest Partner/Manager/Adviser;
- Investor Relations contact;
- Open or closed-ended fund structure;
- Maximum investment size;
- Other investment restrictions;
- Re-investment policy/recycling of investments;
- Maximum permitted fund Bridge Finance facility and/or Fund Leverage facility as detailed in fund formation documents;
- Accounting principles;
- Valuation policy including compliance with the IPEV Valuation Guidelines where applicable;
- ESG policy and, if applicable, ESG restrictions;
- Link to any ESG reporting, if provided separately;
- Statement of compliance with Invest Europe Investor Reporting Guidelines.

Investment focus by

- Stage;
- Sector;
- Geography.

Key economic terms of GP

- Management fees;
- Transaction and other fees and whether 100% or less will accrue to the fund. If such amount will accrue to the fund, then disclose mechanism for reimbursement such as through a management fee offset;
- Management fees provision: within/outside commitment;
- Carried interest (including outline of catch up and escrow criteria).

Operations and governance

- Auditor;
- Administrator;
- Legal counsel;
- Bank(s), Bridge Finance provider, Fund Leverage provider;
- Tax and regulatory;
- Regulator of manager;
- Country of registration;
- Depositary;
- Independent valuation expert;
- Independent risk manager.

Additional possible disclosures

- Website address;
- Location of head office;
- LPAC members;
- Other professional advisers.

Example 7.1 provides an illustration of a Fund Overview.

3.2. Executive Summary

Purpose

The Executive Summary gives the GP an opportunity to provide LPs with information concerning key developments and current activity in the fund over the reporting period without the need for the LP to review the whole report to discover significant items. The relevant reporting period will either be the current quarter, the year-to-date period or both depending on the circumstances of the fund.

This will enable LPs to assess at a high level the progress of the fund and its investments over the reporting period.

Requirements

Commentary on:

- New investments, including brief description of the nature of business, key metrics and, if appropriate, stage of investment;
- Follow-on investments, and planned further funding;
- Realisations, including key metrics and comparison with last reported fair value;
- Significant events in the portfolio, both financial and non-financial, including relevant material ESG matters;
- Overview of investment performance, including changes in fair value;
- Portfolio analysis as deemed relevant by the GP (e.g. invested capital or NAV analysed by sector and geography);
- Material opportunities for and/or risks to the performance (financial or otherwise) of the fund not included elsewhere in the report.

Where relevant:

- Significant changes affecting the GP (for example, changes in the senior investment personnel, especially key person events);
- Notification of annual meeting;
- Changes in fair value policies, processes and procedures, including any change in the use of independent valuation expert;
- Changes to fund formation documents;
- Changes in the fund's investment strategy;
- Statement of any non-compliance with the fund's investment policy;
- Status of current fundraising if reporting before final close;
- Information on defaulting investors where there are implications for other investors;
- Any developments in the GP's approach to managing ESG-related opportunities and risks in the fund (e.g. changes to ESG-related policies, strategies, and/or management systems, etc.);
- Update on major events since the period end (including material ESG incidents);
- Explanation of any significant non-compliance with the Invest Europe Investor Reporting Guidelines.

Additional possible disclosures

- A fund performance chart in the form of either:
  - Value progression chart, showing the change in value of the fund over its life, analysed into total contributed capital, cumulative distributions, and residual fund value net of management fees and carried interest, or
  - Fund TVPI progression chart, or
  - Fund Value Bridge
- Key findings in adviser/administrator's compliance/control report if they could significantly impact the fund;
- Commentary on the economic and market environment for the fund or its investments and any significant changes;
- Commentary on deal flow and pipeline where relevant;
- AGM date, location and any registration requirements;
- Status of fundraising for successor funds;
- Description of significant LPAC decisions, including resolution of conflicts of interest.

Example 7.2 provides an illustration of formats for fund performance charts.

3.3. Fund Performance Status

Purpose

The Fund Performance Status should aim to provide LPs with sufficient information to assess the performance of the fund as a whole as well as details of the remaining commitments and the expected investment timeframe.

Requirements

A summary of:

- Total commitments to the fund;
- Cumulative paid-in capital to date;
- Total unfunded commitments available for drawdown (analysed, if desired, between undrawn original commitments and recallable distributions);
- Cumulative management and other fees drawn down outside commitment (where not funded from commitments);
- Cumulative distributions to the investors;
- Recallable distributions, if applicable;
- Total fair value of the current portfolio;
- Total cash, borrowings, other assets and liabilities;
- Total net asset value;
- Gross IRR;
- Gross multiple of cost;
- Fund Net IRR (i.e. after accrual for carried interest and fees), optional during the two years after the first investment;
- Distributions to paid-in capital (DPI);
- Residual value, net of management fees and carried interest, to paid-in capital (RVPI);
- Total value to paid-in capital (TVPI);
- Paid-in capital to committed capital (PiCC);
- Total invested in portfolio companies;
- Total additional capital commitments to portfolio companies.

Additional possible disclosures

- Comparative figures as relevant;
- Best estimate of potential drawdowns and distributions for the next reporting period;
- Total additional planned/reserved for follow-on investments;
- Guarantees made by the fund to or on behalf of portfolio companies, and their impact on fund fair value, if any;
- Net IRR and TVPI adjusted to exclude the impact of the use of bridge/credit facilities.

Example 7.3 provides an illustration of a Fund Performance Status table.

3.4. Fund Financial Statements

Purpose

A set of Financial Statements is a fundamental part of any reporting package, demonstrating good financial control and giving an overview of the performance and financial position of the fund. Such statements should be reported at the appropriate level (i.e. partnership/entity or whole fund) within the overall fund structure.

It would be typical for a manager to provide only annually a set of comprehensive financial statements that meet local regulatory requirements. However, abridged financial information will be more appropriate. This abridged financial information should be based on Fair Value but need not be in GAAP format/layout.

Requirements

Reports to investors should normally include a set of abridged financial statements for the period in question with relevant comparatives:

- Statement of comprehensive income (total return statement);
- Statement of financial position (balance sheet);
- Cash flow statement;
- Summary of accounting and valuation policy.

The statements should be presented so as to allow the reader to distinguish between portfolio/investment-related matters (e.g. gross investment return) and those related to the fund structure (e.g. fees, carried interest, expenses etc.).

Additional possible disclosures

Ideally, the abridged financial statements should allow the investor to see aggregate performance both on a whole fund basis as well as at the level of the partnership/entity in which they are invested. This is to ensure that, when read in conjunction with the investor's capital account (as illustrated in Section 7.5), the investor can track information from the whole fund level down to their individual share of the fund.

3.5. GP Fees, Carried Interest and Fund Operating Expenses

Purpose

Information on amounts earned by the GP from the fund and portfolio companies together with the fund operating expenses should be disclosed in order to verify compliance with the fund formation documents. In addition, management fees, transaction and other fees and carried interest arrangements are unique to each fund and such disclosure provides transparency to investors.

Requirements

The information below should be reported for the current reporting period, year to date (or last twelve months) and, if available, since inception. In addition, where a material difference has been identified between the audited accounts and the relevant report, a reconciliation of the difference should be disclosed and explained.

Amounts earned by the GP from the fund and portfolio companies

Management fees

- Management fees paid or payable to the GP by the fund should be disclosed together with the basis of calculation;
- In some funds, any transaction fees and other fees earned by the GP from the portfolio company (see below) are offset against the management fees either in full or in part. If this is applicable then the disclosure of management fees should show the gross management fees paid or payable to the GP, the amount of the offset applied in respect of the transaction and other fees, and the net management fees. It should be clear from the disclosure what percentage offset applies.

Transaction and other fees

- The nature and source of all benefits and fees paid directly or indirectly by portfolio companies to the GP and/or any related entities/individuals (such as employees, operating partners, advisers or similar) should be disclosed. Typically, these items will include but not be limited to arrangement fees, underwriting fees, directors' and monitoring fees and transaction fees (including those earned at the time of investment and sale, where relevant). The treatment of such fees will be specific to each individual fund, often determined in the fund formation documents and the reporting should show clearly the treatment adopted.

Carried interest

- Disclosure of whether the hurdle rate has been exceeded;
- Carried interest earned on the realised and unrealised portfolio should be disclosed with a breakdown of the following items:
  - Total amount of carried interest earned from realisations, indicating how much has been distributed
  - If undistributed carried interest is held in escrow, then the amount in question should be disclosed
  - Total amount of carried interest payable on unrealised investments assuming they are realised at the current fair value
  - Value of any potential clawbacks of carried interest (this is unlikely where the fund is structured with whole fund carry).

Fund operating expenses

- Disclosure of the fund's operating expenses providing a breakdown by category as is appropriate. This would typically include expenses such as audit, tax, Portfolio Asset legal, Fund legal and Annual Investor Meeting costs. Separate disclosure should be made, where relevant, for fund formation costs, fund borrowing costs (including interest expense and fees) and aborted deal costs. (The information may be disclosed in the fund financial statements.)

Additional possible disclosures

- Where disclosures are being made of information in accordance with the fund formation documents, consideration should be given to annotating references to specific sections of the fund formation documents where relevant;
- Transaction and other fees may also be analysed by Portfolio Asset.

Example 7.7 provides an illustration of a GP Fees, Carried Interest and Fund Operating Expenses disclosure.

3.6. Bridge Finance & Fund Leverage Facilities

Purpose

In recent years it has become common practice for GPs to use Bridge Finance facilities within fund structures. These are used by GPs for a range of efficiency reasons including reducing the volume of drawdowns made to and from LPs and avoiding the need to draw funds from LPs for temporary investments. Some funds, typically Debt Funds and Secondary Funds, are also using Fund Leverage. However, such facilities are not universally used, nor is their use uniform from one fund to another, and disclosure on their use has typically been relatively light. Such lack of comparability and transparency makes it difficult to compare underlying performance across funds and for LPs to establish their underlying exposures in each fund. As a result of the proliferation of these facilities and in order to enable both proper comparability between funds and greater transparency, the following Requirements and Additional possible disclosures have been added to these Guidelines.

Requirements

Disclosure should comprise details of any Bridge Finance, Fund Leverage and other credit facilities (including borrowings that are within a fund level SPV), which may include:

- Name of the entity or entities providing the facility and whether there are any other relationships between the GP and this entity/entities (e.g. provision of co-investor loans to GP members);
- Size and duration of the facility including ability to extend or rearrange the facility during the fund life;
- Interest rate/margin, arrangement fees, commitment fees;
- Covenants, guarantees and any other similar financial liabilities arising from the facility;
- Nature of security for the lender;
- Fund Leverage (i.e. leverage that allows the fund to make investments in excess of 100% of LP commitments) should be disclosed separately;
- If no facility is in place, a statement to that effect (in the Fund Overview).

On a quarterly basis, the GP should disclose, either as part of disclosure under 3.3 Fund performance status (Example 7.3), as part of 3.5 GP Fees, Carried Interest and Fund Operating Expenses (Example 7.7), or alternatively as part of a separate disclosure:

- The amount outstanding at the quarter end date;
- The scheduled date(s) for the amount outstanding;
- The percentage of total undrawn commitments that this amount represents;
- The maximum amount and average the Fund had drawn over the period (calculated on a daily basis through the period) and the % of undrawn commitments these represent;
- The interest charge and fees paid for the period;
- Events of default notified to the lender, if any, and if none, a statement to this effect.

Additional possible disclosures

- The Net IRR without the use of the facility (whether Bridge Finance or Fund Leverage);
- The number of days outstanding of each drawdown;
- A short description of how each drawdown has been used (e.g. to bridge capital calls for investment or expenses, in advance of distributions etc.);
- The expected repayment dates of any amounts outstanding;
- Other services provided in the reporting year by the credit provider, e.g. GP financing;
- Note of any other exposure of the fund (i.e. guarantees, charges, warranties, indemnities or other contingent liabilities).

Example 7.8 provides an illustration of a Bridge Finance and Fund Leverage Facilities disclosure.

3.7. Related Party Transactions and Conflicts of Interest

Purpose

Fund formation documents will typically describe the mechanisms for disclosure of related party transactions and disclosure of and resolution of conflicts of interest, which will involve reporting either to LPACs or to all LPs as appropriate.

Related party transactions in respect of fees earned by the GP are considered in Section 3.5.

Any such reporting should ensure the LPAC or LPs are provided with sufficient information to judge the appropriate treatment of such matters.

Requirements

The information below should be reported for the current reporting period. References to specific sections of the fund formation documents should be made where relevant.

- Overview of related parties and nature of relationship;
- Comprehensive statement of related party transactions, for example co-investment arrangements, interests in portfolio companies held by other funds managed by the same GP, significant suppliers or customers of portfolio companies controlled by related parties of the GP, fees paid by portfolio companies on behalf of the fund;
- Conflicts may arise throughout the life of the fund and where not addressed in advance in the fund formation documents, will typically need to be dealt with promptly through LPAC discussion. Resolution of any material conflicts by the LPAC should be disclosed to all LPs in the next quarterly report.

4. INVESTMENT PORTFOLIO INFORMATION

In certain circumstances, most notably in the case of a Venture fund, some of the information below may be considered confidential and therefore not disclosed; however, such non-disclosure should be agreed with LPs to ensure appropriate disclosure is still being made.

4.1. Portfolio Summary

Purpose

A Portfolio Summary of a fund provides information on the individual investments that have occurred over the life of a fund. Typically, such a summary should be in the form of a table, covering one or two pages, with footnotes as appropriate.

A summary of the portfolio should include the following details for each investment, recognising that some information may need to be provided by way of footnotes/disclosed separately.

Requirements

- Portfolio company name;
- Date of initial investment;
- Disposal date(s), where applicable, and, if a partial exit, percentage exited;
- Holding period;
- Geography;
- Industry/Sector (e.g. Invest Europe sectoral classification);
- Current percentage ownership as at reporting date;
- Total return for the investment, broken down by:
  - Cumulative income to date
  - Cumulative capital proceeds to date, where applicable
  - Total cost invested since inception
  - Current cost
  - Current fair value
  - Unrealised gains/losses and total return
  - Multiple of invested capital
  - Gross IRR
- If proceeds include deferred proceeds, escrow accounts and earn-outs or, if there are contingent liabilities, these should be quantified in a note;
- Notification of the amount of investors' commitments excused from this investment, where relevant.

Additional possible disclosures

- Where relevant:
  - income broken down between interest and dividends
  - cost broken down between capital invested and rolled up income
- If an investment is made in a currency other than the reporting currency of the fund, then the gross multiple and IRR in the currency of the investment may also be reported.

Example 7.4 provides an illustration of a Portfolio Summary disclosure.

4.2. Portfolio Asset Detail

Purpose

The Portfolio Asset Detail section in a fund report is designed to give LPs detailed information in both a quantitative and qualitative format on each of the fund's current portfolio companies / assets/ funds (referred to hereafter as 'Portfolio Investments'). The volume of information may vary depending on the size of the Fund's investment relative to the whole fund and the number of investments in the fund, but typically each individual Portfolio Investment report should cover one or two pages. To aid effective and efficient presentation these Guidelines have divided the types of information to be presented into four key sections:

- Basic information;
- Fund's investment;
- Trading and financial overview;
- Valuation.

Typically, such Portfolio Asset Detail reports should be presented at least annually, and preferably six-monthly, with updates on key developments, e.g. exits and new investments, included quarterly.

a. Basic information

Requirements

- Legal and/or trading names of Portfolio Asset, including any name changes;
- Location of head of office or management;
- Website address;
- If quoted, the ticker symbol and the number of shares held at the reporting date;
- Brief description of the industry, business, marketplace, sector, geography covered;
- Stage of initial investment (e.g. seed, venture, growth, buyout, etc. with reference to Invest Europe's definitions of Investment Stages), for multi-strategy funds;
- Where relevant, the fund's role in the Portfolio Asset (lead, co-lead, etc.) at the time of the first investment;
- Portfolio Asset's reporting currency.

Additional possible disclosures

- Information on the GP's deal team members responsible for making the investment and monitoring the Portfolio Asset;
- Current stage (with reference to Invest Europe definition of stages);

b. Fund's investment

Requirements

- Initial investment date;
- Total amount invested by the fund at reporting date:
  - Total amount committed to investment
  - Total invested since inception
  - Current cost
  - Realised proceeds since inception
- Fund's current percentage ownership as at reporting date, fully diluted percentage (if different) and percentage of control (if different) and board representation (if any) by the fund;
- For new investments made during the reporting period:
  - Investment thesis
  - Co-sponsors (including individual percentage), where relevant
  - Investment amount committed but undrawn.

Additional possible disclosures

- Breakdown of cost including allocation across equity and debt instruments, if relevant;
- For new investments made during the reporting period:
  - Sources and uses of funds, including deal costs
- Where relevant, number of financing rounds (including number of financing rounds overall and those where the fund has participated, if different).

c. Trading and financial overview

Requirements

- Historic revenue, EBITDA and net debt or other appropriate performance indicators listing comparative information from date of investment, typically in a table of performance;
- Budget or forecast revenue, EBITDA and net debt or other appropriate performance indicators for the current year, if permissible and not in conflict with regulatory requirements;
- A narrative assessment of the Portfolio Asset's recent performance, including comparison to previous expectations, budget, prior period or original investment thesis;
- Disclosure of any significant extraordinary items including legal and regulatory compliance matters;
- Commentary on key developments in the business including:
  - Key personnel changes
  - Strategy changes and changes in the risk profile
  - Acquisitions and disposals
  - Achievements, certifications, approvals, key events
- Commentary on Portfolio Asset debt, where significant/relevant, and covenant breaches;
- Material forecast cash requirements and expected source of funding, where relevant;
- Description of environmental, social or governance risks and opportunities specifically affecting the Portfolio Asset (including ESG incidents) and measures taken by the GP to manage them, if relevant. This may include specific ESG KPIs relevant to the sector the Portfolio Assets operates in, the GP's assessment of the ESG progress made by the portfolio company since acquisition, as well as a description of specific ESG topics, including reputational risk items and any ESG incident follow-up and resolution[13];
- Exit plans, where applicable and not commercially sensitive, for example timing and exit route.

Additional possible disclosures

- Key performance metrics used by the GP to monitor the investment;
- Schedule of debt maturity and information regarding significant debt covenants, if relevant.

13 For further detail please refer to Part 2 of the ESG Disclosure Framework for Private Equity, March 2013

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d. Valuation

Valuation information should include key details on the inputs and methodology used to value each investment and any non-compliance with the IPEV Valuation Guidelines.

Requirements

Specific information on each investment should include:

- Fair value at reporting date and prior date;
- Increase/decrease in fair value during the period and explanation of the movement in valuation (e.g. improved trading performance, changes to benchmark companies and/or indices, changes to capital structure, forex movements, etc.);
- Any additional investments made during the period;
- Proceeds during the period;
- Realised gain/loss during the period;
- Specific methodology used in accordance with the IPEV Valuation Guidelines (e.g. earnings multiple, discounted cash flow);
- Interest and dividends received since inception (may be disclosed in the fund Portfolio Summary table);
- Gross IRR and multiple of invested cost (may be disclosed in the fund Portfolio Summary table);
- For partially realised investments, the percentage of the fund's investment sold.

Where relevant:

- Explanation of changes in valuation techniques or methodologies from previous period;
- The unit price for actively traded quoted shares/investments. Where, in exceptional circumstances, a discount is applied, the basis for that discount;
- Any realisation restrictions for the investment (i.e. lock-up period on listed shares);
- Currency when the investment is denominated in a currency other than the fund's currency and exchange rate used;
- Other exposures of the fund to the Portfolio Asset, for example follow-on funding commitments, guarantees and contingent liabilities.

Additional possible disclosures

- Disclosure of important metrics and assumptions used to determine fair value (e.g. enterprise value, multiple, EBITDA, revenue, last round funding, comparable companies, discount rate, share price, number of shares, gross asset value, net debt);
- Breakdown of fair value allocation across equity and debt instruments.

4.2.1 Private Equity Portfolio Company Detail

In addition to the Requirements listed in 4.2. Portfolio Asset Detail, for a Private Equity Portfolio Company the following additional disclosures will be relevant as part of the one-to two page reports on each Portfolio Asset:

c. Trading and financial overview

Additional possible disclosures

- Number of employees employed by the Portfolio Company, plus any other relevant ESG KPIs e.g. gender diversity statistics;
- Value creation in Portfolio Company since investment (e.g. increase to EBITDA, multiples or debt payback).

4.2.2 Real Estate Asset Detail

Purpose

In addition to the Requirements listed in 4.2. Portfolio Asset Detail, for a Real Estate asset the following additional matters should be disclosed as part of the one to two page for each Portfolio Asset:

Requirements

a. Basic information

- Location of asset(s)
- Tenure (leasehold/freehold)
- Usage (commercial/residential)
- Project description/strategy (i.e. refurbishment/construction)
- Type (i.e. greenfield/brownfield/refurbishment/unchanged use)
- Capital structure, financing and hedging
- Tax status (noting any structure complexity)

b. Fund's investment

- No additional disclosures

c. Financial overview

- Initial yield
- Current yield
- Key performance metric (i.e. number of tenants/percentage let/percentage completed)
- Reversionary yield (forecast)
- Projected returns/target returns
- Net operating income
- Capex to date and projected
- Financing costs

d. Valuation

- External valuation expert
- Rotation policy
- Any conflict of interest (e.g. to ensure independence between bringing deals and performing valuations)

4.2.3 Private Debt Investment Detail

Purpose

Since Private Debt is simply an alternative type of financial instrument through which a fund may be exposed to a portfolio company, the basic information that should be provided for a Private Debt instrument is very similar to that information that would be disclosed for a Private Equity Portfolio Asset.

In addition to the Requirements listed in 4.2. Portfolio Asset Detail, for each Private Debt investment in the fund the following additional matters should be disclosed as part of the one to two page reports:

a. Basic information

Additional possible disclosures

- Any credit rating applicable to the company.

b. Fund's investment

Requirements

- The name of the Private Debt instrument (e.g. Term Loan A)
- The date of the initial investment in the Private Debt instrument
- Whether the investment was acquired through an origination process or a secondary trade
- The notional amount invested and the price as a percentage of par value paid at the date of the original investment
- The notional amount outstanding and separately the amounts of all accrued interest as of the reporting date
- The implied credit spread or yield based on the price paid at the date of the original investment
- Any origination or administrative fees received
- The economic terms of the Private Debt instrument:
  - Origination date and/or trade date
  - Contractual maturity date
  - Coupon (including specifics about base rate, spread over base rate, margin ratchets, etc.)
  - Interest period
  - Amortisation schedule and/or any scheduled amortisation payments and dates
  - Prepayment provisions
  - Key financial covenants
  - Any unique features such as exit fees, cash flow sweeps, conversion options, fees on unfunded portion, associated warrants and equity features etc.

c. Trading and financial overview

Requirements

- Capital structure of issuer, including the terms and rights of other financial instruments in the issuer's capital stack, and any relevant leverage and interest coverage ratios
- Trading update – particularly as it relates to any cash flow sweeps or margin ratchets
- Covenant compliance update
- Any default (e.g. non-payment of interest)

Additional possible disclosures

- Equity cushion

d. Valuation

Private Debt instruments should be reported at Fair Value in accordance with IPEV Guidelines.

Requirements

- Fair Value expressed in nominal terms and as a percentage of par value (specifying whether pricing is on a 'clean' or 'dirty' basis convention)
- Implied spread or yield based on reported Fair Value
- Valuation methodology utilised
- Instrument-level credit ratings (if available)

4.2.4 Infrastructure Investment Detail

Purpose

Because infrastructure investing is a close variant of traditional Private Equity, the basic information that should be provided for an Infrastructure investment is largely similar to that information that would be disclosed for a more traditional Private Equity Portfolio Asset.

In addition to the Requirements listed in 4.2. Portfolio Asset Detail, for an Infrastructure investment the following additional matters should be disclosed as part of the one to two page reports:

a. Basic information

Additional possible disclosures

Given that infrastructure investments are often subject to government regulation, additional disclosures may be relevant as follows:

- Authoritative body (or bodies) under which the investee company is regulated
- Significant laws, directives and/or statues which impact the operations of the investee company
- Material regulations which impact the price(s) which the investee company is able to charge for its product(s) or service(s) or the rate of return which the investee company is permitted to earn.

d. Valuation

Requirements

In contrast to the market approach generally favoured by traditional Private Equity managers (in accordance with the IPEV valuation guidelines), the income approach is more often the key methodology used in the valuation of infrastructure businesses. Specifically, a free cash flow to equity ("FCFE") or dividend discount model ("DDM") are favoured for valuing the equity of infrastructure businesses particularly those which generate more stable, often government-regulated returns. Because such valuation methodologies can be more elaborate, and require a larger number of inputs and assumptions, the following Additional possible disclosures may be appropriate:

- Discount rate, whether a weighted average cost of capital (or WACC) or cost of equity, as well as the components of the discount rate:
  - Risk free rate
  - Equity risk premium
  - Beta
  - Any premia/discounts applied to cost of equity
  - Cost of debt
  - Gearing
- Exit assumptions
  - Exit asset yield
  - Exit multiple

4.2.5 Venture Portfolio Company Detail

Purpose

Where a fund has invested in Seed, Start-up or a Later-stage financing (see Glossary for the Invest Europe Development Stage definitions of such investments) the following additional disclosures to those set out in 4.2. Portfolio Asset Detail may be required to reflect the particular characteristics of such Venture Portfolio Company investments:

a. Basic information

Requirements

- Stage of initial investment (e.g. seed, start-up, other early stage, etc. – as described in the Invest Europe Development Stage definitions) for multi-stage funds;

Additional possible disclosures

- Current stage (with reference to Invest Europe Development Stage definitions);

b. Fund's investment

No additional disclosures

c. Trading and financial overview

Requirements

- Description of environmental, social or governance risks and opportunities specifically affecting the portfolio company and measures taken by the GP to manage them. In the case of early stage businesses this should be proportionate in relationship to its development, but should nevertheless reflect legal obligations.
- Commentary on key developments in the business including:
  - Status on major milestone(s)
  - Scientific/technical/regulatory developments
  - Achievements, certifications (e.g. patents), approvals, key events

Additional possible disclosures

- Key performance metrics used by the GP to monitor the investment (e.g. current cash balance, current cash burn rate).

d. Valuation

Additional possible disclosures

- Disclosure of important metrics and assumptions used to determine fair value (e.g. financial terms of the last round funding discount rate, share price, etc.);
- Achievement/failure of milestones.

4.2.6 Fund of Funds Investment Detail

Purpose

Funds of Funds ("FoFs") invest as LPs into funds managed by other fund managers. FoFs hold multiple fund interests ("Portfolio Funds") with potentially hundreds or even thousands of underlying investments in Portfolio Assets. This impacts their reporting in different ways:

- Due to the nature of FoF investing, the primary investment asset is – in contrast to primary or direct Private Equity funds – not a Portfolio Asset, but a Portfolio Fund. Several of the metrics for monitoring Portfolio Fund investments differ from those applied to Portfolio Assets referred to in 4.2 as noted below.
- The reporting timeline for a FoF naturally lags 30 to 45 days behind the average reporting timeline of its underlying Portfolio Funds (which in reality usually means 90 to 120 days after quarter end). In practice FoFs sometimes offer their investors accelerated ("cash-adjusted" or "roll-forward" – see Glossary for definition) simplified valuations in order to speed up their reporting cycles. Investors should be familiar with the assumptions of a cash-adjusted/roll-forward valuation method and assess whether it meets their needs (e.g. trade-off accuracy versus speed of reporting).
- FoFs often have to agree to NDAs with their underlying fund managers placing limits on the disclosure of information on the Portfolio Companies their Portfolio Funds have invested in. Given this limited degree of transparency, the FoF may not be able to report on all disclosures regarding Portfolio Assets to the extent that a primary or direct Private Equity Fund would report. Thus FoF reporting on underlying Portfolio Assets will be limited and/or will be based on aggregated figures or on a no-name basis to comply with such legal requirements.

a. Basic information

Requirements

- A meaningful aggregate exposure analysis covering all Portfolio Funds. Disclosures may differ by investment strategy and focus of the FoF and should be determined between the Fund Manager and its LPs but typically should include some or all of the following:
  - Exposure diversification by geography or region (based on NAV and/or Cost)
  - Exposure diversification by currency (based on NAV and/or Cost)
  - Exposure diversification by vintage year/year of investment (based on NAV and/or Cost)
  - For multi-strategy funds: Exposure diversification by strategy (based on NAV and/or Cost)
  - Top five exposures (based on NAV and/or Commitment and/or Fund Managers)
  - Drawdowns/Distributions over a materiality threshold to the FoF with an explanation of the activity driver.

Additional possible disclosures

- Comparison of Gross and/or Net IRRs to market/top quartile/ other meaningful benchmarks

b. Fund's investment

A FoF will typically report its investments on two levels: first on the Portfolio Fund level (section b.1.) and second on the (look-through) Portfolio Asset level (section b.2.).

b.1. Portfolio Fund level

FoFs should disclose the following information for each individual Portfolio Fund:

Requirements

- Portfolio Fund name
- Vintage year of the Portfolio Fund
- Geographic focus of the Portfolio Fund
- Strategy of the Portfolio Fund
- Amount Committed/Total committed capital of the Portfolio Fund
- Total amounts drawn down/contributions/Invested Capital of the Portfolio Fund
- Total amounts distributed
- Remaining unfunded commitment to the Portfolio Fund
- Net Asset Value of the Portfolio Fund
- Net IRR of the Portfolio Fund
- TVPI of the Portfolio Fund
- Split between primary and secondary investments (if applicable)

Additional possible disclosures

- TV of the Portfolio Fund (NAV + Total Distributed)
- DPI of the Portfolio Fund
- Gross multiple of cost of the Portfolio Fund
- Gross IRR of the Portfolio Fund
- Exposure to individual Funds/managers (e.g. NAV plus uncalled commitments)
- Split of total amounts distributed between recallable and non-recallable
- Split of remaining unfunded commitment between original unfunded and recallable
- For FoFs with significant foreign exchange exposure it might be beneficial to show the key performance indicators of the Portfolio Funds both in local currency of the Portfolio Fund and in reporting currency of the FoF
- Actual or estimated management fees of underlying Portfolio Funds (if available)

b.2. Portfolio Asset level (look through reporting)

FoFs should disclose the following aggregated information for all Portfolio Assets held indirectly through their Portfolio Funds:

Requirements

- Portfolio Asset diversification by industry (based on NAV and/or Cost)
- Portfolio Asset diversification by geography or region (based on NAV and/or Cost)
- Portfolio Asset diversification by currency (based on NAV and/or Cost)
- Portfolio Asset diversification by vintage year/year of investment (based on NAV and/or Cost)
- Portfolio Asset diversification by strategy (based on NAV and/or Cost)

Additional possible disclosures

- Largest Portfolio Assets by NAV (if allowed by NDA)
- Largest additions/realisations in the underlying Portfolio Assets
- Portfolio Assets at/above/below cost (aggregated based on total number and/or NAV and/or Invested Cost)

c. Trading and Financial overview

Other than the metrics above, FoFs typically do not disclose financials of underlying Portfolio Funds nor Portfolio Assets.

d. Valuation

Requirements

Given the limited degree of transparency into the underlying portfolio companies held within the Portfolio Funds in which the FoF holds an interest, the FoF is usually inadequately positioned to comment upon the valuation basis of the underlying Portfolio Assets in their Portfolio Funds. However, the FoF should disclose the following:

- Whether a Portfolio Fund valuation is valued at reported NAV or at "cash-adjusted" or "roll-forward" NAV, and
- Valuation standards/guidance applied by the managers of the underlying portfolio funds, e.g. US GAAP, IFRS, IPEV

Additional possible disclosures

- Whether the FoF manager has made its own adjustments to the reported NAV of a Portfolio Fund and an explanatory narrative;
- The date of the reported Portfolio Fund NAV if not the Fund of Fund's reporting date.

4.2.7 Secondary Fund Investment Detail

Purpose

Private Equity secondary funds typically buy and sell pre-existing investor commitments to Private Equity and other alternative investment funds. Private Equity secondary transactions ("Secondaries") are often complex and occur either in a proprietary negotiation, via the use of an intermediary or in an auction process.

Historically, the Secondaries market comprised the sale and purchase of limited partnership fund commitments ("LP interests") in individual funds or portfolio of funds. Whilst LP interests remain the largest component, the Secondaries market has evolved to include portfolios of direct investments in operating companies not held in standard fund structures ("Direct Secondaries"), minority co-investments in single operating companies ("Co-investment Secondaries") and increasingly GP-led liquidity transactions involving sale of the assets from, or restructuring of, older vintage private equity funds ("GP Restructurings").

Whilst secondary funds transact in very different ways to FoFs, they do however share many of their characteristics, particularly in terms of their legal structure and operation and also in that they represent the LP in a GP/LP relationship.

Accordingly, reporting for secondary funds should be consistent with that of FoFs as set out in section 4.2.6 with the following key differences:

- Similar to FoF, typically the primary asset for a secondary fund will not be equity in a Portfolio Company but an interest in a Portfolio Fund. However, uniquely, secondary funds may commonly acquire whole portfolios of fund interests rather than single fund interests, usually at a discount to the aggregated Fair Market Value of the acquired funds. Secondary fund GPs may wish to report such portfolio transactions as a single aggregated investment for the following reasons:
  - Discounts negotiated, or acquisition costs incurred, cannot be meaningfully applied to each individual Portfolio Fund acquired, preventing secondary funds from calculating and reporting performance for each individual Portfolio Fund
  - Secondary transactions, particularly 'off-market' exclusive transactions, are frequently characterised by a need for confidentiality by the vendor or underlying fund GPs, governed by NDAs, thereby limiting disclosure of full information on the Portfolio Funds acquired
  - Performance and KPI calculation for an underlying Portfolio Fund should be adjusted to account for the premia/discount and/or other costs paid by the Secondary Fund for its investment and thus will differ from other investors in the same Portfolio Fund that have been invested in the Portfolio Fund since inception (Primary Investment)

Given the above, consideration should be given to the following Additional possible disclosures where relevant:

Additional possible disclosures

- Premia/discounts paid by investment and a weighted average across the investment portfolio
- Transaction details including broker/intermediary where relevant

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5. INVESTOR INFORMATION

5.1. Capital Account

Purpose

The Capital Account information presented for the current period and since inception provides each LP with current and cumulative information on their individual commitment in the fund and allows analysis of income and capital allocations.

The descriptions below reflect a typical limited partnership structure for the fund vehicle. Accordingly, the format may need adapting to accommodate other legal structures such as those used in continental Europe involving allocation of returns to different classes of shares.

Requirements (for both current period and since inception)

Each LP should receive a statement of their own capital account together with relevant information for either the whole fund or the entity/partnership in which they have invested (or both) to include the following information:

- LP's percentage ownership in the fund/partnership at the reporting date. In the case of funds that are made up of parallel structures, the whole fund position should be included if applicable;
- Total commitment, split between different instruments if appropriate at the reporting date;
- Total contributions;
- LP unfunded commitment at the reporting date;
- LP's share of any outstanding Bridge Financing balance;
- Cumulative distributions;
- Amount of cumulative distributions recallable by the manager at the reporting date;
- Realised portfolio gains/losses;
- Unrealised portfolio gains/losses;
- Allocation to the carried interest partner;
- Non-portfolio income and expenses;
- Management fees;
- Capital account at fair value at the beginning of the period (for current period report);
- Capital account at fair value at the reporting date;
- Confirmation that LP's NAV is reported net of unrealised carried interest attributable to the General Partner and the amount of the unrealised carried interest deducted; alternatively, show unrealised carried interest assuming that all investments are realised at their reported Fair Value at the reporting date.

Example 7.5 provides an illustration of an Individual Capital Account statement. Sole investor specific information is increasingly required by investors; however, in funds where investors do not have confidentiality concerns over sharing their capital account information with others in the fund, the example in 7.6 is an illustration of an alternative whole fund since inception format.

Additional possible disclosures

- Cash flow schedule detailing dates and amounts of drawdowns and distributions, either showing amounts for the individual LP or for the fund/partnership as a whole;
- Analysis of distributions for the current period by source (i.e. between return of cost, capital gains/losses, dividends and interest) and/or by nature (i.e. cash vs. in-specie);
- LP's share of individual investments (particularly where individual LPs are excluded from certain investments);
- Breakdown of expenses between establishment costs and ongoing operational costs;
- A table showing the bridge between the opening and closing capital account balance.

Example 7.9 provides an illustration of a Fund Cash Flow Schedule.

5.2. Drawdowns and Distributions

Purpose

Drawdown and distribution notices should be issued to investors in accordance with the fund formation documents with cross-references to the specific sections of these documents.

Standard practice is for drawdown notices to be accompanied by a covering note explaining how the funds will be used, for example for an investment, for management fees or for fund running costs. Where such notices relate to an investment, the date and nature of the investment transaction being undertaken and the following should also be covered:

- The company or companies being acquired;
- The investment thesis;
- Total financing;
- Other material deal parameters.

However, General Partners may need to restrict disclosure where commercial sensitivity is required, particularly if a drawdown is being undertaken prior to the closing of an investment, or where a drawdown is being made in advance of multiple investments some of which may not yet have been identified.

Distribution notices should be accompanied by a covering note listing the company or companies divested, and giving relevant details such as the exit route, timing, any escrows or contingencies and the fund's gross multiple and IRR for this investment. For partially exited investments and refinancings, the cost basis and value of the remaining investment may be relevant.

Where a drawdown and distribution are performed in the same notice resulting in a net payment or receipt, the gross balances should be disclosed and accounted for as such.

a. Drawdown notices

Drawdown notices should include the following information:

- Due date;
- Amount being drawn down, at the investor and fund level (whole fund in cases where there are parallel vehicles);
- The investor's commitment;
- Cumulative capital drawn down to date and capital remaining to be drawn;
- The total unfunded commitment;
- Payment instructions for the drawdown;
- Reason for the drawdown including an analysis where applicable of the individual components of the drawdown;
- Where applicable, describe any LPAC or investor consents or waivers sought or granted as required by the LPA in order for this for this drawdown/the underlying investment to proceed.

b. Distribution notices

Distribution notices should include the following information:

- Payment date;
- Amount being distributed, at the investor and partnership/fund level (whole fund in cases where there are parallel vehicles). This should disclose the amount of any recallable distributions;
- Cumulative capital distributed at the investor and fund level, analysed, where possible, between recallable and non-recallable;
- Payment instructions held for the investor showing the bank to which the distribution will be paid;
- An analysis of the distribution between return of cost, capital gain, interest and dividend and disclosure of amounts withheld to cover fees, carried interest and other expenses;
- Withholding tax deducted;
- For distributions in specie, the name of instrument being distributed, Ticker symbol (where relevant), number of shares, historical cost, value and basis of value (if necessary an estimate, to be followed up with the actual value ascribed when finalised), any settlement details and any restrictions affecting the shares distributed.

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6. PERFORMANCE MEASUREMENT AND REPORTING

6.1. Internal Rate of Return and Net Fund Multiples

The most common measure of performance within the private equity industry is the Internal Rate of Return ("IRR"). Such performance can be calculated both prior to deduction of fees, expenses and carried interest (gross) and after such deductions (net).

Additional frequently used measures of net performance are the multiples to investors of:

- Distributions to paid-in capital (DPI);
- Residual value to paid-in capital (RVPI);
- Total value to paid-in capital (TVPI).

Invest Europe recommends the IRR and the multiples mentioned above as being the most appropriate and commonly used performance indicators.

Where GP capital which does not pay carried interest or fees is a small percentage of the fund, it can be included in the net performance calculations, but where it is a significant percentage, it should be excluded and the resulting net performance figures footnoted to make it clear that GP capital has been excluded from the calculations.

6.2. Gross and net IRR

To enable the gross and net IRRs to be comparable, all relevant components (variables) must be treated in an identical manner. It is for this reason that the standard principles have been developed, which are set out below.

a. Gross IRR

This measures the return earned by the fund from its investments, and takes account of:

- All the cash outflows (investments) and inflows (divestments, including realisation values, interest and dividends, repayments of principal of loans, etc.) which take place between the fund and all of its investments, independently, whether realised or not;
- The valuation of the unrealised portfolio. By definition, the unrealised portfolio excludes cash and other assets held by the fund.

This return does not include the impact of carried interest or charges of any kind, such as management fees paid to the private equity firm by the investor, fees paid by a portfolio company either to the fund or the private equity firm, and fees paid or due to lawyers, accountants and other advisers (except where such fees specifically relate to a particular investment).

b. Fund Net IRR

This measures the return earned by the investors in the fund, and takes account of:

- The actual cash flows which take place between the fund and all the LPs;
- The LPs' share of the fund's remaining net assets, which includes the valuation of the unrealised portfolio, cash and other net assets or liabilities, after an appropriate accrual for carried interest.

When the portfolio is fully realised/fully distributed, the fund net IRR reflects the 'cash-on-cash' return to the investors, and will implicitly be net of:

- The management fees paid to the fund manager (whether funded from investor drawdowns or out of investment income);
- The fund manager's carried interest;
- All other applicable professional and ancillary charges which are paid out by the fund in the course of investing, managing, and divesting from the investment portfolio.

The fund net IRR should accordingly represent a "blended" net IRR of all the investors. It is noted that this figure may be greater than or less than the net IRR attributable to an individual investor.

c. Net IRR to an individual LP

This is calculated as for the fund net IRR, but based on the cash flows, carried interest and valuations attributable to the individual LP.

It should be noted that net IRR can only be calculated for an entire interest in a fund and not for individual investments. Deal-by-deal net IRRs would require allocations of costs and fees and are thus not typically appropriate measures of performance.

6.3. Gross Multiple of Cost

The multiple of investment proceeds received plus current fair value of the unrealised portfolio divided by the total original cost of the investments (including follow-ons).

6.4. Net IRR modified for Bridge Finance/ Fund Leverage

The net IRR calculated as if drawdowns from LPs had been made on the date drawdowns were made on the Bridge Finance facility, rather than the date drawdowns were made from LPs, adjusting for the interest and other costs associated with the Bridge Finance and any consequent impact on carried interest.

The net IRR calculated as if no Fund Leverage had been available, with drawdowns from LPs replacing the drawdowns from the Fund Leverage facility and adjustments made to remove interest and other costs and any consequent impact on carried interest.

6.5. Modified IRR (MIRR)

MIRR, a relatively new metric, modifies the traditional IRR approach in that it no longer assumes cash flows are re-invested at the same rate. This methodology allows the user to input their own, implied re-investment rate. Whilst this may resolve some of the known flaws of the traditional approach relating to multiple cash flows on various dates both into and out of a fund, it requires the user to input a re-investment rate appropriate to their circumstances. Such re-investment rates are likely to vary according to the individual circumstances of each investor, and require detailed knowledge of that investor's individual circumstances and opportunities for re-investment. Accordingly, it is not recommended as a metric for reporting by a GP generally to its investors.

Use of MIRR should be restricted to situations where an LP who has (i) the information to calculate their own re-investment rate and (ii) the detail of the underlying cash flows for each of the funds in which they have invested and which they wish to compare. In such circumstance, it provides an alternative methodology for comparing the performance of those funds.

Where a Modified IRR is calculated, the implied re-investment rate should always be disclosed alongside the MIRR. MIRRs should only be compared to other MIRRs calculated using the same re-investment rate. Comparison of MIRRs with traditional IRRs is never appropriate.

6.6. Public Market Equivalent (PME)

Public Market Equivalent is a methodology designed to compare performance of a fund against a public market benchmark. To do so, the historic cash flows into and out of the fund are mirrored by equivalent amounts invested into a public market index. Accordingly, drawdowns into the fund are matched with investments into the public market on the same date and distributions from the fund are matched with withdrawals from the public markets on the same date, based on the valuation of the index at that date. Finally, a comparison is made at the reporting date between the value that is left in the fund versus the value remaining in the public market equivalent.

In order to be a valid comparator such an index should be one based on re-investment of dividends.

The fundamental challenge for a PME is finding an appropriate public index whose risk/return characteristics are relevant to the fund's investment strategy. This is a subjective area and accordingly Invest Europe does not require reporting of PME measures. Where they are reported, details on the public index used should also be disclosed.

6.7. Principles of calculating returns

a. Commitments made by a fund to a Portfolio Asset

The cash outflows should be taken to be the amount actually invested in a Portfolio Asset at a given point in time, i.e. on a gross return basis. A fund may commit itself to making a series of investments in a Portfolio Asset over an extended period of time. In such circumstances, the timing and amounts of only the individual past cash flows should be taken into account.

b. Equity received in lieu of cash

Any equity received by a fund in lieu of cash in respect of services rendered to a Portfolio Company (for instance, services of directors, provision of guarantees) should be recognised at the Fair Value of the consideration received.

c. Commitments made by an investor to a fund

An LP will commit itself to making a series of investments in a fund over a period of time, up to their committed capital. The cash flows from investors should be taken to be the amount actually drawn down by a fund at given points in time. In such circumstances, the timing and amounts of only the individual past cash flows should be taken into account.

d. Net return to investors; carried interest and the unrealised portfolio

When calculating the net return to the investor, as regards the valuation of the unrealised portfolio, appropriate provision should be made for the deduction of carried interest calculated on the basis of the assets being realised at the carrying value.

e. Realisations

Distributions in-specie

Depending upon the provisions of the fund formation documents, shares in companies / assets which are listed and distributed in-kind should be treated as set out by the fund formation documents as to when they are treated as realised.

Other exits

As regards the calculation of the gross return on realised investments only, a written-off investment should be considered as having been realised as soon as the earliest of any of the following or like events takes place: when bankruptcy proceedings are instigated against a Portfolio Company/asset; when a Portfolio Company ceases to trade; when a Portfolio Company enters into arrangements with creditors which result in the investment being written down to zero; or when insolvency proceedings are begun.

Treatment of realisations with deferred consideration

Investments which have been completely sold, subject to a proportion of deferred consideration/earn-out, should be defined as realised investments. An estimate of the fair value of deferred proceeds or earn-out should be included at the reporting date.

f. Taxation

Interest payments, dividends and capital gains received from portfolio companies that are paid net of tax withholdings should be grossed up so as to be treated as pre-tax cash flows for the measure of gross return. Withholding tax which would not be recoverable by a typical tax exempt investor should be excluded from such grossing up.

g. Timing of cash flows

IRRs are recommended to be calculated on the basis of daily or monthly cash flows. Daily cash flows should use the exact value date of the cash flow. When calculated on a monthly basis, the date attributed to each cash flow should be the same day of each month (e.g. the last day of the month).

Example 7.10 provides a worked example illustrating the principles of calculating fund multiples referred to above.

7. EXAMPLES

These examples are intended to illustrate a range of possible layouts which may assist managers in designing their reporting. These include both Requirements and Additional possible disclosures, and should not be taken as a minimum or mandatory requirement.

7.1. Fund Overview

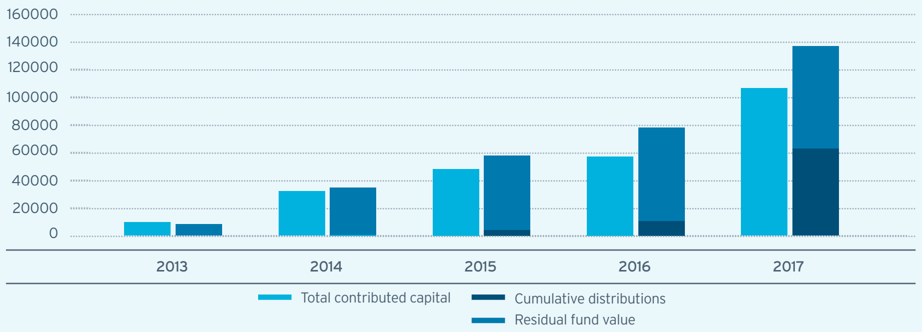
General	
Fund full name	Invest Private Equity Fund
First closing date	Tuesday, 8 January 2013
Final closing date	Monday, 21 January 2013
Vintage year	2013
First investment date	Friday, 25 October 2013
Term	10 years to 8 January 2023
Investment period	5 years to 8 January 2018
Extensions	Up to three one year extensions, the first two at the manager's discretion
Fund currency	Euro
Total commitments	€100 million
Year end	31 December
Domicile	UK
Legal form	Two English Limited Partnerships Invest Private Equity Fund A LP Invest Private Equity Fund B LP
Outline of structure	1 General Partner, 10 Limited Partners
Manager	Invest Private Equity Manager
Client Contact	Mrs Investor Relations. Investor.relations@IPE.com
Adviser	Invest Private Equity Adviser
General Partner	Invest Private Equity Commitment €1 million
Open/closed-ended	Closed-ended
Maximum investment	15% of total commitments
Other investment restrictions	Maximum 10% outside EU
Reinvestment policy/Recycling of investments	Reinvest up to 100% of acquisition cost of assets disposed of during Investment period
Maximum Bridging	20%
Accounting principles	IFRS
Valuation policy	International Private Equity & Venture Capital Valuation ('IPEV') Guidelines
ESG restrictions	No alcohol or weaponry
ESG policy	See LP portal on www.IPE.com
ESG reporting	See LP portal on www.IPE.com

Investment focus by	
Stage	Buyout
Sector	Industrial, Healthcare, Consumer Services
Geography	Europe
Key economic terms	
Management fees	1.75% on committed capital during the Investment Period, 1.50% on aggregate acquisition cost of unrealised assets thereafter
Fee offsets	80% of Partnership's share of fees received by the manager
Management fees	Within commitment
Carried interest	Whole fund. 20%, subject to a return of 100% of Paid-in Capital plus an 8% hurdle. 100% catch up
Carried Interest Partner	Invest Private Equity
AIFMD	
Manager's regulator	Financial Conduct Authority
Depositary	AIFMD Depositary Corporation
Country of registration	UK
Independent valuer	Valuations Company
Independent risk manager	AIFMD Risk Manager
Service providers	
Auditor	Auditor LLP
Administrator	Administration Corporation
Legal Counsel	Invest Lawyer
Banking Facilities	A.N.Other Bank Corporation
Bridging provider	Bridge Bank Corporation
Leverage provider	N/A
Tax & Regulatory	Tax & Regulatory Advisers
LP Advisory Committee (additional possible disclosures)	
Members of LP Advisory Committee (if not against legal or LPA restrictions)	A LP, B LP, C LP, D LP

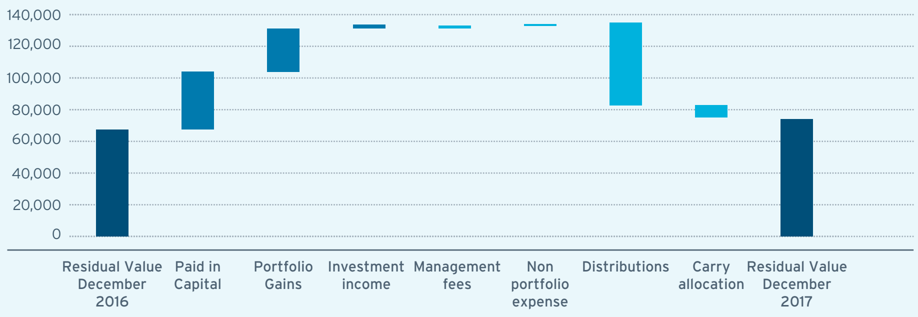
This report is in compliance with Invest Europe Guidelines

7.2. Fund Performance Charts

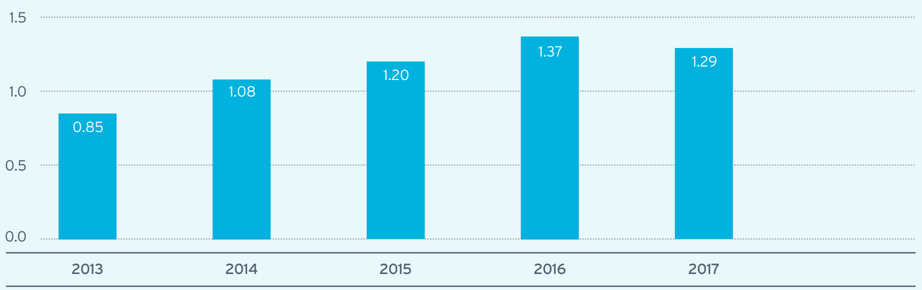
Value Progression (€000)



Fund Value Bridge (€000)



Historical Fund Performance (TVPI)



7.3. Fund Performance Status

	2017 €000	2017 % Committed Capital	2016 €000	2016 % Committed Capital
Total Commitments to the Fund	€100,000	100%	€100,000	100%
Cumulative Paid In Capital	€106,331	106%	€69,961	70%
Cumulative Distributions to the Investors	€62,736	63%	€10,592	11%
Of which – Recallable Distributions	€35,830	36%	€3,157	3%
Total Unfunded Commitment available for Drawdown	€29,499	29%	€33,196	33%
Total invested in portfolio companies	€96,331	96%	€61,761	62%
Total additional commitment to portfolio companies	€15,000		€0	
Total fair value of the current portfolio	€81,702		€69,432	
Total cash, borrowings, other assets and liabilities	€0		€0	
Total net asset value (NAV)	€81,702		€69,432	
Gross IRR	24.5%		25.0%	
Gross multiple to cost	1.50		1.12	
Fund Net IRR (after accrual for carried interest and fees)	14.8%		15.1%	
Fund Net IRR modified for Bridge Finance	14.2%		14.4%	
Distributions to Paid In Capital (DPI)	0.59		0.19	
Residual Value to Paid In Capital (RVPI)	0.70		1.18	
Total Value to Paid In Capital (TVPI)	1.29		1.37	
Total Value to Paid In Capital (TVPI) modified for Bridge Finance	1.29		1.38	
Funded Commitment to Committed Capital	0.71		0.67	
Paid In Capital to Committed Capital (PICC)	106.3%		70.0%	

7.4. Portfolio Summary

At 31 December 2017

								Cash Flows				Current Portfolio		Returns			
Investment name	Date of first investment	Date of exit	Holding period (yrs)	Exit method	Geography	Industry	Current fully-diluted %age ownership	Total original cost	Proceeds/ repayments	Cash income	Total cash realised	Cost	Fair Value	Total cash realised + Fair Value	Total return	Multiple to cost	Gross IRR
								€000	€000	€000	€000	€000	€000	€000	€000		
Fully Realised Investments																	
Investment A	Jan-13	Apr-16	3.2	Trade sale	France	Healthcare		3,157	5,421	732	6,153			6,153	2,996	1.9x	34%
Investment B	Feb-13	Aug-17	4.5	Secondary	Germany	Manufacturing		5,100	8,311	857	9,168			9,168	4,068	1.8x	14%
Investment C	Mar-14	Sep-17	3.5	Trade sale	UK	Consumer Retail		2,580	4,650	229	4,879			4,879	2,299	1.9x	22%
Investment D	May-14	Nov-17	5.5	Trade sale	Spain	Manufacturing		6,434	3,800	211	4,011			4,011	(2,423)	0.6x	n/a
Investment E	Aug-14	Dec-17	4.4	Secondary	Italy	Oil & gas		11,614	19,826	3,626	23,452			23,452	11,838	2.0x	26%
								28,885	42,008	5,655	47,663			47,663	18,778	1.7x	17%
Current Investment Portfolio																	
Investment G	May-16		4.7	n.a.	France	Manufacturing	86%	5,703	-	70	70	5,703	7,863	7,933	2,230	1.4x	30%
Investment H	May-16		3.2	n.a.	Germany	Business services	75%	14,344	530	74	604	13,814	18,650	19,254	4,910	1.3x	34%
Investment I*	May-15		2.7	IPO	Poland	Healthcare services	21%	12,829	12,623	1,160	13,783	6,414	13,489	27,272	14,443	2.1x	37%
Investment J**	May-17		0.7	n.a.	Sweden	Hotel & Casino	95%	17,500	-	521	521	17,500	25,317	25,838	8,338	1.5x	79%
Investment K	Sep-17		0.3	n.a.	UK	Manufacturing	68%	9,214	-	70	70	9,214	8,527	8,597	(617)	0.9x	n/a
Investment L	Nov-17		0.2	n.a.	Germany	Consumer retail	84%	7,856	-	25	25	7,856	7,856	7,881	25	1.0x	n/a
								67,446	13,153	1,920	15,073	60,501	81,702	96,775	29,329	1.4x	39%
Totals								96,331	55,161	7,575	62,736	60,501	81,702	144,438	48,107	1.5x	25%

Notes

* Listed on 25 July 2014 when 21% of the company was realised leaving 21% still held

** An investor was excluded from this investment, with equalisation on the following investment

If there are parallel vehicles this should represent the whole fund.

7.5. Individual Capital Account Statement

Investor Statement for Investor No. 4 for the quarter ending 31 December 2017

1. Commitment	Inception to 31 Dec 2017 Fund	Inception to 31 Dec 2017 Vehicle	Inception to 31 Dec 2017 Investor No. 4	Q4 2017 Investor No. 4
	€000	€000	€000	€000
Commitment	100,000	75,000	10,000	3,731
Paid in Capital	(106,331)	(79,748)	(10,633)	(831)
Recallable Distributions	35,830	26,873	3,583	50
Unfunded Commitment available for Drawdown at 31 December 2017	29,499	22,124	2,950	2,950
Ownership % of Fund		75%	10%	
Share of outstanding bridging facility				-

2. Capital account	Quarter to 31 Dec 2017 Fund*	Quarter to 31 Dec 2017 Investor No. 4	Year to 31 Dec 2017 Fund*	Year to 31 Dec 2017 Investor No. 4	Inception to 31 Dec 2017 Fund*	Inception to 31 Dec 2017 Investor No. 4
Current Investment Portfolio	€000	€000	€000	€000	€000	€000
Capital Account at Fair Value opening balance	87,800	8,780	69,432	6,943		
Paid in Capital from Investors	8,306	831	36,370	3,637	106,331	10,633
Distributions to Investors	(24,947)	(2,495)	(52,144)	(5,214)	(62,736)	(6,274)
Realised portfolio gains/(losses)	5,578	558	17,067	1,707	19,331	1,933
Unrealised portfolio gains/(losses)	4,624	462	10,373	1,037	21,201	1,208
Investment income/(expense)	791	79	2,404	240	7,575	719
Management fees	(438)	(44)	(1,750)	(175)	(8,750)	(875)
Non portfolio income/(expense)	(13)	(1)	(50)	(5)	(1,250)	(125)
Net change in provision for carried interest**		(211)		(561)		(580)
Capital Account at Fair Value as of 31 December 2017	81,702	7,959	81,702	7,609	81,702	6,640

3. Investment Schedule	Investments at Cost Fund*	Investments at Cost Investor No. 4	Investments at Fair Value*** Fund*	Investments at Fair Value*** Investor No. 4
Current Investment Portfolio	€000	€000	€000	€000
Investment G	5,703	570	7,863	786
Investment H	13,814	1,381	18,650	1,865
Investment I	6,414	641	13,489	1,349
Investment J****	17,500	-	25,317	-
Investment K	9,214	2,671	8,527	2,472
Investment L	7,856	786	7,856	786
Total Current Investment Portfolio	60,501	6,050	81,702	7,258
Carried interest accrual				(580)
Share of funds other net assets			-	(39)
Capital Account at Fair Value as of 31 December 2017			81,702	6,640

* If there are parallel vehicles this should represent the whole fund. The specific vehicle that the investor is in may also be shown.

** The provision for carried interest is calculated based on the hypothetical share of profits, taking into account the cash already distributed from the fund and the unrealised fair value of its assets in accordance with the terms of the limited partnership agreement.

*** The Fair Value of investments were determined in accordance with International Private Equity and Venture Capital Valuation Guidelines.

**** An investor was excluded from this investment, with equalisation on the following investment.

7.6. Capital Account

Statement for all LPs – Capital account since inception to 31 December 2017

Investor	% Ownership	Commitment	Paid in Capital from Investors	Distributions to Investors	Realised portfolio gains/ (losses)	Unrealised portfolio gains/ (losses)	Investment income/ (expense)	Management fees	Non portfolio income/ (expense)	Carried Interest allocation	Capital account at Fair Value	% Ownership	Recallable Distributions	Unfunded Commitment available for Drawdown	Share of outstanding bridging
		€000	€000	€000	€000	€000	€000	€000	€000	€000	€000		€000	€000	
Investor No. 1	25%	25,000	26,583	(15,684)	4,833	5,554	1,905	(2,188)	(313)	(1,956)	18,734	25%	8,958	7,375	-
Investor No. 2	20%	20,000	21,266	(12,547)	3,866	4,443	1,524	(1,750)	(250)	(1,565)	14,987	20%	7,166	5,900	-
Investor No. 3	8%	8,000	8,506	(5,019)	1,546	1,777	609	(700)	(100)	(626)	5,995	8%	2,866	2,360	-
Investor No. 4	10%	10,000	10,633	(6,274)	1,933	1,208	719	(875)	(125)	(580)	6,640	10%	3,583	2,950	-
Investor No. 5	6%	6,000	6,380	(3,764)	1,160	1,333	457	(525)	(75)	(469)	4,496	6%	2,150	1,770	-
Investor No. 6	7%	7,000	7,443	(4,392)	1,353	1,555	533	(613)	(88)	(548)	5,245	7%	2,508	2,065	-
Investor No. 7	9%	9,000	9,570	(5,646)	1,740	1,999	686	(788)	(113)	(704)	6,744	9%	3,225	2,655	-
Investor No. 8	5%	5,000	5,317	(3,137)	967	1,111	381	(438)	(63)	(391)	3,747	5%	1,792	1,475	-
Investor No. 9	5%	5,000	5,317	(3,137)	967	1,111	381	(438)	(63)	(391)	3,747	5%	1,792	1,475	-
Investor No. 10	4%	4,000	4,253	(2,509)	773	889	305	(350)	(50)	(313)	2,997	4%	1,433	1,180	-
General partner	1%	1,000	1,063	(627)	193	222	76	(88)	(13)	(78)	749	1%	358	295	-
Total for Investors	100%	100,000	106,331	(62,736)	19,331	21,201	7,575	(8,750)	(1,250)	(7,621)	74,081	100%	35,830	29,499	-
Carried interest partner										7,621	7,621				
Total	100%	100,000	106,331	(62,736)	19,331	21,201	7,575	(8,750)	(1,250)	-	81,702				

7.7 GP Fees, Carried Interest and Fund Operating Expenses

		Q4 2017	Year to 31 Dec 2017	Inception to 31 Dec 2017
		€000	€000	€000
Management fees				
Gross management fees (1.75% of commitments)		438	1,750	8,750
Transaction and other fees offset at 80%		(138)	(190)	(1,592)
Net management fees		300	1,560	7,158
Transaction and other fees				
Transaction fees		150	150	1,200
Underwriting fees		-	-	-
Monitoring fees		14	56	560
Directors fees		8	32	230
Other fees		-	-	-
Total benefits and fees paid from portfolio companies to the manager		172	238	1,990
Payments to related parties or associates of the manager		-	-	-
Carried interest				
Hurdle rate exceeded	Yes			
Distributions sufficient to trigger carry payments	No			
Carried interest earned from realisations		-	-	-
Carried interest paid		-	-	-
Carried interest earned but not distributed*		-	-	-
Change in Carried interest accrual		2,109	5,609	7,621
Accrued Carried interest balance at start of period		5,513	2,013	-
Accrued Carried interest balance at the end of the period		7,621	7,621	7,621
* Amount held in escrow		-	-	-

	Q4 2017	Year to 31 Dec 2017	Inception to 31 Dec 2017
	€000	€000	€000
Fund operating expenses			
Audit fees	6	25	58
Tax	7	21	379
Legal	82	107	678
Other expenses	2	5	25
Fund operating expenses	97	158	1,140
Fund formation costs		-	1,000
Aborted deal costs	-	-	260
Bridging interest	49	61	250
Bridging fees	4	21	191
Fund expenses and costs	150	240	2,842

7.8 Bridge Finance and Fund Leverage Facilities

Bridging and Leverage facilities	
There is no leverage facility in place.	
There is a bridging facility in place as follows:	
Name of Bank	Bridge Bank plc
There is no relationship between this entity and the GP	
Size of facility	10% of commitments
Maximum bridging	€10m
Maximum bridging permitted in the LPA	€20m
Rollover date	6 Months
Facility term	5 Years
Expiry Date	31 March 2018
Interest rate	x%
Undrawn commitment fee	U%
Arrangement fee	A%
Covenants/restrictions	Max of 50% of undrawn commitments
Guarantees/security	Undrawn commitments

Bridging facility	Q4 2017	Year to 31 Dec 2017	Inception to 31 Dec 2017
	€000	€000	€000
Any covenant breaches	None	None	None
Interest	49	61	250
Fees	4	21	191
Maximum drawn in the period	9,664	9,664	9,664
% of undrawn commitments this represents	9.7%	9.7%	9.7%
Average drawn in the period	6,555	2,061	1,678
Amount of bridging outstanding	Nil	Nil	
% of undrawn commitments this represents	0%	0%	
	Date	€000	
Scheduled dates for bridging repayment	n/a	n/a	

7.9. Fund Cash Flow Schedule and Fund Net IRR calculation

Commitments to Fund €100,000,000

Date of cash flow	Paid in Capital from investors	Distribution to investors	Residual Value (RV)	Investor cash flows and RV
	€000	€000	€000	€000
10 January 2013	(1,450)	-	-	(1,450)
21 January 2013	(3,157)	-	-	(3,157)
25 February 2013	(5,100)	-	-	(5,100)
07 March 2014	(3,830)	366	-	(3,464)
01 July 2014	(6,884)	211	-	(6,673)
12 August 2014	(11,614)	-	-	(11,614)
02 January 2015	(1,900)	3,200	-	1,300
14 May 2015	(13,279)	366	-	(12,913)
01 October 2015	(15,900)	-	-	(15,900)
11 December 2015	15,000	-	-	15,000
22 April 2016	(900)	5,847	-	4,947
26 September 2016	(9,447)	629	-	(8,818)
28 April 2017	(27,650)	457	-	(27,193)
23 June 2017	(450)	674	-	224
03 August 2017	(2,250)	20,934	-	18,684
26 September 2017	-	4,650	-	4,650
27 November 2017	(9,664)	3,800	-	(5,864)
19 December 2017	(7,856)	21,602	-	13,746
31 December 2017	-	-	74,081	74,081
	(106,331)	62,736	74,081	30,486
Fund Net IRR				14.8%
Fund Net IRR modified for Bridge Finance				14.2%
Multiples				
Distributions to Paid In Capital "DPI"				0.59
Residual Value to Paid In Capital "RVPI"				0.70
Total Value to Paid In Capital "TVPI"				1.29
Total Value to Paid In Capital "TVPI" modified for Bridge Finance				1.29

7.10. Calculation of Fund Multiples

Whole Fund	Investor net cash (paid to fund)/from fund*	Calculation of: Paid in Capital	Unfunded Commitment	Distributions
	€000	€000	€000	€000
Investor Commitment/Committed Capital			100,000	
Type of Cash Flow				
Capital Call/Drawdown for completed or proposed investments, management fees and expenses:	(121,331)	(121,331)	(121,331)	
Return of Capital Calls/Drawdowns for temporary, bridging or aborted investments:	15,000	15,000	15,000	
Distributions of portfolio proceeds to date which are considered permanent:	26,906			26,906
Distributions of portfolio proceeds to date which are considered recallable/recyclable:	35,830		35,830	35,830
Total	(43,595)	(106,331)	29,499	62,736
		A	B	C
"Residual Value"	74,081	D		
		Calculations		
Distributions to Paid In Capital "DPI"	0.59	C / A		
Residual Value to Paid In Capital "RVPI"	0.70	D / A		
Total Value to Paid In Capital "TVPI" = DPI + RVPI	1.29	(C+D) / A		

* (Or flow of other assets in the case of contributions/distributions in-specie).

8. GLOSSARY

Bridge Finance

Financing at the fund level secured on LP commitments and intended for the purpose of temporarily financing investments or expenses of the fund in advance of drawdown from LPs.

Buyout investment

Financing provided to acquire a company. It may use a significant amount of borrowed capital to meet the cost of acquisition. Typically, by purchasing majority or controlling stakes.

Capital call/Drawdown

Funds drawn down into the fund by the manager from investors. Both the amount and the timing of the notice of any drawdown must be in accordance with the fund formation documents.

Carried interest

A share of the gains of the fund which accrue to the GP/Manager. The calculation of carried interest is set out in the fund formation documents.

Cash-adjusted or roll-forward valuation

The latest available NAV as shown in the capital account from the underlying fund's manager plus drawdowns less distributions from the underlying fund to the fund of funds between the last available NAV date and reporting date, assuming the reporting date is later

Commitment/Committed capital

An investor's contractual commitment to provide capital to a fund up to the amount subscribed by the investor and recorded in the fund documents.

Distribution

Payment of any amount in cash or the value of any distribution in-specie by the fund to the investor, excluding amounts returned in relation to temporary, bridging or aborted investments and net of any distributed amounts which have subsequently been clawed back, e.g. for warranty claims.

Distributions to paid-in capital (DPI)

This is the ratio of the cumulative distributions to LPs to paid-in capital.

Environmental, Social and Governance ("ESG")

ESG stands for the environmental, social and governance factors that can impact (the performance of) a portfolio company and/or an investment, including the GP itself. It is a phrase commonly used alongside responsible investment.

Final closing

Date on which the fund admits its last LP and closes to any further subscriptions of interest from LPs.

First closing

Date on which the first LPs are admitted into a fund.

Fund

Fund or private equity fund is the generic term used in these Guidelines to refer to any designated pool of investment capital targeted at any stage of private equity investment from start-up to large buyout, including those held by corporate entities, limited partnerships and other investment vehicles, established with the intent to exit these investments within a certain timeframe.

Funded commitment to commitment (FCC)

This is the ratio of committed capital less unfunded commitment to committed capital.

Fund formation documents

The entire set of legal documents, including the Limited Partnership Agreement (LPA) or equivalent legally binding document and side letters agreed by the investors and the fund manager. Matters covered in the legal documentation include the establishment of the fund, management, and winding up of the fund and the economic terms agreed between the investors and the fund manager.

Fund Leverage

Borrowings over and above the amount of LP commitments which is intended to increase the investment capacity of the fund beyond the level of aggregate LP commitments and which is intended to be permanent in nature

General Partner/GP/Manager

The person or entity with the responsibilities and obligations for the management of the fund, as set out in the fund formation documents.

Growth investment

A type of private equity investment (often a minority investment) in relatively mature companies that are looking for primary capital to expand and improve operations or enter new markets to accelerate the growth of the business.

Investor/Limited Partner/LP

Person or entity holding an investment interest (as distinct from a management interest) in a private equity fund.

Later-stage financing

Financing provided for an operating company, which may or may not be profitable. Late stage venture tends to be financing into companies already backed by VCs. Typically, in C or D rounds.

LPA or Limited Partnership Agreement

A legally binding document setting out the operating rules for a fund together with the rights and responsibilities of the parties subscribing to it; see Fund formation documents.

LPAC

The LPAC is the Advisory Committee comprising a cross-section of representative investors of the fund. The role of the LPAC is essentially to be consulted by the GP on material matters affecting the fund and on conflicts of interest. More generally, it acts as a sounding board for the GP.

NDA

Non-disclosure agreement governing disclosure of information either generally or to specified parties

NAV

Net asset value of the fund arrived at after taking all assets and deducting all liabilities and provisions.

Total original cost

Total capital invested including follow-on investments but excluding rolled up income and temporary or bridge financing.

Paid-in capital

Cumulative payments that have been called by the manager in accordance with the fund formation documents, net of commitments drawn and returned in relation to temporary, bridging or aborted investments and excluding any amounts clawed back, e.g. to fund warranty claims. For the avoidance of doubt, paid-in capital may be composed both of amounts funded from original commitments and those amounts which have been recalled from previous distributions. Consequently, paid-in capital can exceed commitment.

Paid-in capital to commitment (PiCC)

This is the ratio of paid-in capital to committed capital.

Recallable distributions

A recallable distribution is an amount distributed to investors that may be recalled subsequently in accordance with the fund formation documents, e.g. in relation to management fees funded in the early years of a fund from capital calls.

The determination of whether an amount is a return of a temporary investment or investment proceeds distributed and subject to recall or recycling will be set out in the fund formation documents.

Replacement capital investment

Minority stake purchase from another private equity investment organisation or from another shareholder or shareholders.

Rescue/Turnaround investment

Financing made available to an existing business, which has experienced financial distress, with a view to re-establishing prosperity.

Residual value

This is the remaining undistributed net asset value of the fund after carried interest has been allocated.

Residual value to paid-in capital (RVPI)

This is the ratio of the residual value attributable to LPs (net of carried interest) to paid-in capital.

Responsible investment

Responsible investment involves an investment approach that integrates ESG factors into corporate conduct, investment decisions and ownership activities. A responsible investor will commonly be interested in the ESG conduct, impact or performance of a portfolio company it invests in, and in case of an LP, this may also include ESG aspects related to the GP.

Seed investment

Funding provided before the investee company has started mass production/distribution with the aim to complete research, product definition or product design, also including market tests and creating prototypes. This funding will not be used to start mass production/distribution.

Start-up investment

Funding provided to companies, once the product or service is fully developed, to start mass production/distribution and to cover initial marketing. Companies may be in the process of being set up or may have been in business for a shorter time, but have not sold their product commercially yet. The destination of the capital would be mostly to cover capital expenditures and initial working capital.

Total value to paid-in capital (TVPI)

The sum of the distributions to paid-in capital (DPI) and residual value to paid-in capital (RVPI).

Unfunded commitment

This is the total capital that remains eligible to be called from an investor. Typically, this will be the total commitment less any drawdowns during the life of the fund except for short-term commitments returned and any recallable (recyclable) distributions.

Unfunded commitment can be split between the amount that has never been drawn from an investor ("undrawn original commitment") and amounts that have been distributed but are open to being recalled ("recallable distributions").

Vintage year

Vintage year is generally the year of the first closing or, if later, the year in which management fees commence.

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